

INFORMATION REPORT - INFORMATION REPORT
CENTRAL INTELLIGENCE AGENCY

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|----------------|----------------------------|-----------------|----------------|
| COUNTRY | Yugoslavia | REPORT | |
| SUBJECT | Internal Economic Policies | DATE DISTR. | 12 August 1955 |
| DATE OF INFO. | | NO. OF PAGES | 4 |
| PLACE ACQUIRED | | REQUIREMENT NO. | RD |
| DATE ACQUIRED | | REFERENCES | 25X1 |

This is UNEVALUATED Information

SOURCE EVALUATIONS ARE DEFINITIVE APPRAISAL OF CONTENT IS TENTATIVE

1. In the past, individual enterprises in Yugoslavia have been allowed great freedom of action under the government's "decentralization program." Evidence of their freedom of action can be found in such matters as the large number of cases of mishandling foreign currency, the practice of planting spies in competitive enterprises, arbitrary price raises, methods of unfair competition among various enterprises, particularly among enterprises in different Republics, indifference as to the poor quality of products, and cheating in quality (and to a lesser extent in quantity) at the time of delivery of an order. 25X1
2. Examples of the above have been discussed in the Yugoslav press from time to time. Lawyers in Belgrade state that they have never heard of such an enormously high number of cases of irresponsible management of business and so few cases where the proper punishment is given. A distinction is made between abuse of authority for personal profit, on the one hand, and irresponsible and reckless management, regardless of the resulting loss, if the manager is successful in proving that he had made no personal profit. The first type of case is severely punished; cases of the latter type regularly result in the manager's removal or transfer to a less responsible position.
3. The freedom of decision of plant managers and local economists was theoretically limited by the necessity of obtaining the approval of the Workers Council and the local Peoples' Committee. In practice, managers and local economists worked in agreement and had the backing of the Secretary of the FCY (Federation of Communists of Yugoslavia) organization of their territory, which reduced the role of the Workers Council and the Peoples Committee to a formality.

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4. The policy of the Yugoslav Government was to create a feeling among the workers that they were the owners of their enterprises and to allow the Workers Councils authority in administrative matters such as the hiring, firing, promotion and assignment of workers. The Workers Councils were also in charge of work discipline and the supervision of production. Normally the Workers Councils were freely elected, and the election was confirmed by the Trade Union without question. However their authority was considerably limited by law and by the regulations of the Economic Council which determined the Table of Organization for each enterprise, established the salary for each position, and set the limitations and conditions for discharging a worker. In addition, members of the FCY who formed Party cells in the enterprise were at least proportionally represented in the Workers Councils.
5. These restrictions and limitations apparently did not bother the Workers Councils and the workers in the beginning because they still felt they were their own bosses and showed a certain interest in running the business end of their enterprise. In 1954 the workers started showing an increased interest in the overall activity of their enterprises because their salaries and "share of profits" in the enterprises began to decrease, because of the failure of the various enterprises to fulfill their production quotas. The workers felt justified in requesting salary increases because of the rise in the cost of living. The regime's attitude that workers' salaries and wages depended on their production was no answer to the difficult economic situation which the workers were facing. The workers responded by asking that expenses which they considered unnecessary be reduced and that their efforts be concentrated on more productive items. This placed the managers in a difficult situation because they found themselves limited in their freedom of decision regarding the workers and because they were fully responsible for carrying out the orders of the appropriate Economic Committees, Chamber of Commerce or Economic Council.
6. The Workers Councils were generally concerned with the interests of the workers and were supported by the workers. In December 1954 an FCY member with contacts among high ranking governmental officials stated that the workers' problem had become very serious and would get out of the hands of the Government and of the FCY if it were not solved immediately.
7. An employee of an import-export firm in Belgrade, who was a member of its Workers Council since the middle of November of 1954, stated that the work or the FCY cells in the enterprises had intensified and that managers had begun to ignore the suggestions and decisions of the Workers Councils. The managers' decisions were backed by the FCY members who, in the form of mild threats, made it clear to the employees that they would find themselves in trouble if they contradicted the managers' decisions.
8. The establishment of the Workers Councils has thus had varying effects on the attitude of the workers toward the regime. The workers were originally happy that they had become an "important factor which was allowed to decide its own fate" and they were satisfied with the extent of the authority given to them. However, the first wave of enthusiasm did not last long enough to carry them over the fact that their standard of living was becoming worse as time went by and that they could not do anything to improve it.

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9. The workers' present attitude toward the regime must be judged in light of the fact that the workers in Yugoslavia, compared with employees, artisans, craftsmen, professional men and peasants, have the lowest standard of living. But it would not be correct to conclude that their lack of hope of any improvement in the situation will result in any manifestation of dissatisfaction with the regime. On the contrary, they will have to accept the slogan "The higher the production, the higher the salary" and put their effort into increasing production as the only solution to their low standard of living.
10. The so-called decentralization program has now been fully implemented. Its implementation was necessary in order to disassociate the Government from direct responsibility for the bad economic situation in the country. The legislation which enacted the economic decentralization program provided for multifold controls by the Trade Unions, FCY and government over commercial enterprises and industrial plants. Even a superficial analysis of this legislation makes it obvious that, if the regime had exerted its controls, the decentralization program would have existed in name only.
11. Nationalist circles consider the decentralization program to be an attempt on the part of the regime to gain time for the implementation of an economic policy which would be more suitable to the regime's objective; i.e. socialization of the country. Consequently, this economic program had no positive effect on the overall production of the country. The failure of the Central Committee of the FCY, the Federal Executive Council, and the Trade Unions on the federal level to exert their control and coordination in a systematic fashion added a further element of confusion to the economic life of the country. It was common knowledge that, during the period preceding the policy of decentralization, no one in charge of an enterprise or any governmental institution wanted to make a decision and assume responsibility for it. The managers of industrial plants and commercial enterprises actually requested orders from higher authorities regarding their activities. The result of this practice was that the Federal governmental agencies and the Federal Control Committee of the FCY were the decision-making bodies. Thus, responsibility for the economic situation was handed back to the top level members of the government.
12. The decentralization policy went to the other extreme and actual responsibility was transferred down to the lowest level. In general, this situation was exploited by managers of enterprises, Secretaries of District FCY Committees and the governments of the various Republics in order to firm up their independence of action in the economic field. The actual situation regarding the implementation of the program varied according to districts and republics because it depended to a large extent on the personalities involved. The fact that Federal control has not been fully exerted has encouraged managers of the various enterprises to take advantage of the situation to satisfy their desire for freedom of decision and the opportunity to prove their abilities to the authorities. In addition, the Secretaries of the District FCY Committees saw an opportunity to take an active part in developing and directing the economic activities of their districts as proof of their efficiency. Officials of the Republican governments, responsible for economic policy, generally supported the representatives of their districts by seeking allotments of funds from the Federal Government.

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13. The ethnic antagonisms among the various nationality groups found expression in the struggle for federal funds and actually became the emotional background of the struggle in the economic field.
14. The psychological situation created by the struggle in the economic field has resulted in a high degree of competition among the enterprises in the different Republics. However, this competition failed to bring favorable results in the overall production of the country because it was aimed more at destroying the competitor than at fair commercial competition for the benefit of the consumer.
15. Competition of enterprises within a single Republic is a standard occurrence but is motivated by the fact that the government guarantees the workers and employees only up to 80 per cent of their salaries in case the enterprise fails to make sufficient profits to cover production expenses. This type of competition, which is actually a struggle for existence on the part of the workers and employees concerned, has been labeled by the Government as a "localism".
16. Both Nationalist and Communist circles believe that the present competition among the different Republics will be replaced by a struggle among the Communes. Since the Communes will be much smaller territorial units, FCY and governmental controls will be applied more easily and effectively.
17. The establishment of Communes is considered by the workers and their Workers Councils as a definite move toward a policy of centralization and rigid control by the FCY. The large scale propaganda which preceded the establishing of the Communes has psychologically conditioned the people to such a degree that they were stoically accepting something they had no way of preventing.
18. The current role of the Trade Unions is that of keeping the workers under control and of preventing any significant manifestation of the workers' dissatisfaction with the regime. The most effective legal weapon at the disposal of the Trade Unions is their right to disapprove the election of the Workers Councils and to refuse to confirm the Executive Board elected by the Workers Councils. An additional role performed by the Trade Unions is that of preparing the workers psychologically for changes in the internal economic policy of the regime.

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